

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2010-09
Bill No.: HS for HCS for SCS for SB 686 with HSA 1 for HA 1; HA 2 with HA 1; HA 3
Subject: Education, Elementary and Secondary
Type: Original
Date: May 13, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 17 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Community College Districts	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)
School Districts*	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

***Unknown Savings could exceed \$100,000 and Unknown Costs could exceed \$100,000**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** indicated this proposal would have no fiscal impact on the Courts.

Officials from the **Office of State Treasurer** indicated this proposal would have no fiscal impact on their agency.

Officials from **Central Missouri State University** indicated this proposal would have no fiscal impact on their institution.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 66 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27.

ASSUMPTION (continued)

The actual costs could be more or less the SOS's estimated cost of \$4,059 for FY 2004. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

SECTION 115.124

Officials from the **Department of Elementary and Secondary Education** indicated this portion of the proposal would have no fiscal impact on their agency, but that there could be an unknown increase in election costs to local school districts.

Section 162.261

Officials from the **Department of Elementary and Secondary Education (DESE)** indicated this proposal would have no fiscal impact on their agency. DESE assumes the proposal could lead to increased advertising costs for school districts; however, DESE does not anticipate significant costs.

Officials from the **Kansas City, Missouri School District** indicated that while the district does currently advertise positions, they are not advertised for thirty days. There could be additional advertising costs to comply with this proposal.

Officials from the **Saint Louis Public Schools** indicated there would be no fiscal impact on their district.

Oversight assumes that since the current version of the proposal states that advertising for board positions will be pursuant to board policy, additional costs, if any, could be absorbed with existing resources.

Sections 162.680 & 162.962

Officials from the **Department of Elementary and Secondary Education** state this proposal would implement changes to meet federal regulations implementing IDEA (Individuals with

ASSUMPTION (continued)

Disabilities Education Act):

- 1) 34 CFR 300.550
- 2) 34 CFR 300.512

Officials from the **Office of Attorney General** indicated costs associated with any court cases arising from this proposal could be absorbed.

In response to similar proposals, officials from the following school districts made the following assumptions:

Officials from the **Special School District of Saint Louis County** and the **Parkway C-2 School District** indicated there would be no cost to their districts.

Officials from the **Kansas City, Missouri School District** responded to the request for fiscal note and did not indicate any estimate of costs to their district associated with this proposal.

Officials from the **Saint Louis Public Schools** responded, commenting on the increasing costs of special education, but did not indicate specific impact to their district as a result of this proposal.

Section 162.700

Officials from the **Special School District of Saint Louis County (SSD)** assume this proposal will not directly increase costs for SSD, but would increase the costs of the Department of Elementary and Secondary Education (DESE) to fund early childhood special education grants; however, officials from the **Department of Elementary and Secondary Education** indicated there would be no costs to DESE or to the school districts.

Oversight had further discussion with DESE officials who indicated that the school districts may be looking at the changes that occurred as a result of SB 874 from last session and DESE officials further reiterate that there are no costs to DESE or school districts associated with this proposal.

Officials from the **Office of Attorney General** indicated costs associated with any court cases arising from this proposal could be absorbed.

ASSUMPTION (continued)

SECTION 162.1180

Officials from the **Department of Elementary and Secondary Education (DESE)** indicated that DESE would pay the “educational service agencies” directly which could affect calculation and distribution of school payments. They further state that the proposal has the potential to have significant fiscal impact depending on who is eligible under the proposal, whether school districts would participate, whether payments would impact the school payment, and whether the educational service agencies could set property tax rates and collect taxes. DESE indicated that local school districts would likely see costs to manage the educational service agencies.

In response to a similar proposal, officials from the **Kansas City, Missouri School District (KCMSD)** indicated there would be no fiscal impact to their district.

In response to a similar proposal, officials from the **Saint Louis Public Schools** stated that they assume there could be a cost associated with this proposal but are unable to determine the impact, if any, at this time.

Oversight assumes that if school districts would utilize an “educational service agency”, costs associated with managing the agencies could be offset by having less direct administrative costs. Also, since the language is permissive, **Oversight** assumes no fiscal impact.

SECTION 165.011

Officials from the **Department of Elementary and Secondary Education (DESE)** assumed this proposal would reorganize Section 165.011, RSMo and also add new subsection 14 for school districts that issued qualified zone academy bonds (QZAB) prior to December 31, 2002 and did not establish a tax levy in the Debt Service Fund pursuant to Section 164.161, RSMo. The proposed change allows districts to transfer certain funds from the Capital Projects Fund to the Debt Service Fund to be invested for the purpose of paying off the federally authorized and state approved Qualified Zone Academy Bonds at the call date of the bonds. The proposal also adds new reporting provisions and establishes certain penalties for failure to comply for school districts meeting the requirements of subsection 14.

DESE further states that this proposal establishes provisions that would allow school districts to comply with the Taxpayers Relief Act of 1997.

In addition, DESE officials state this proposal would give districts meeting certain conditions the

ASSUMPTION (continued)

flexibility to transfer funds from the Capital Projects Fund to the Incidental Fund. Such flexibility may help districts meet their general operating obligations during years of stagnant or reduced revenues.

DESE officials stated there would be no fiscal impact on their agency resulting from this proposal.

Officials from the **Fairview R-IX School District** stated that there would be no fiscal impact to their district resulting from this proposal. The Fairview School District indicated that due to current budgetary constraints, the transfer of funds permitted per this proposal may not occur.

SECTION 165.016

Officials from the **Department of Elementary and Secondary Education (DESE)** stated there would be no cost or savings to their agency as a result of this proposal. DESE indicated that this proposal would give flexibility to local boards of education to adjust budgets as necessary to cope with decreasing foundation formula revenue.

SECTION 168.110

Officials from the **Kansas City, Missouri School District** stated they have had hiring incentives in past years; however, in the current economic environment they are not likely to be funded for FY 04.

Officials from the **St Louis Public Schools** were unable to determine the fiscal impact at this time; however, any implementation would be within the boundaries of a balanced budget.

SECTION 171.031

In response to a similar proposal, officials from the **Department of Economic Development - Division of Tourism** indicated this proposal would have no fiscal impact on their agency.

SECTION 177.086

Officials from the **Department of Elementary and Secondary Education (DESE)** indicated that there would be no fiscal impact to their agency. DESE further states that the proposal would give local school districts greater purchasing flexibility and would save advertising costs. DESE

ASSUMPTION (continued)

was unable to determine an estimate of savings, but indicated that it could be a significant amount.

Officials from the **Kansas City, Missouri School District (KCMSD)** stated that KCMSD currently bids and advertises construction contracts that are \$12,500 or greater. The proposal would reduce the amount spent by KCMSD to advertise and bid construction contracts less than 15,000.

In response to similar proposals, the following school districts made the following assumptions:

Officials from the **Saint Louis Public Schools** stated that there could be slight advertising savings based on the revised minimum bid amount and reduced time to advertise. However, these savings might be offset by escalating advertising costs in newspapers of general circulation.

Officials from the **Parkway C-2 School District** indicated a minimum annual savings of \$15,000 would result from this proposal, primarily due to the cost of advertising. This savings would depend upon how many projects in that cost range are planned, which might vary significantly over time.

Officials from the **Nixa R-II School District** did not specifically indicate a savings realization, but based on their response, **Oversight** assumes potential savings to this district.

Officials from the **Belton School District** stated that savings to the school districts would come from the following areas: 1) Fewer advertisements that cost at least \$150 per ad or \$300 per bid; 2) Reduced labor in preparing, receiving, and archiving bids; 3) Greater efficiency in responding to needs by reducing time lost to bidding process.

Oversight assumes that, even with minimal savings to individual school districts, the total savings could exceed \$100,000 annually.

SECTION 324.245

Officials from the **Department of Economic Development - Division of Professional Registration** indicated this portion of the proposal would have no fiscal impact on their agency.

ASSUMPTION (continued)

SECTION 393.310

Officials from the **Department of Economic Development - Public Service Commission (PSC)** indicated this proposal would have no fiscal impact on the PSC or local school districts.

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** indicated that although this proposal may have some impact on their agency, OPC should be able to absorb the changes, however, if the requirements of the proposal are combined with additional requirements or changes OPC may incur a fiscal impact.

Section 1

Officials from the **Department of Higher Education (DHE)** assume this legislation would have no direct fiscal impact on the DHE. However, it would impact the higher education institutions with on-campus housing, including 2-year and 4-year public and private institutions. Even if students paid a fee to cover the cost of the vaccination, institutions would incur additional costs associated with tracking all on-campus students for meningitis vaccinations or exemptions. In addition, costs could be incurred to provide the related literature as described in the proposal.

Officers from **Truman State University** indicated this proposal would have no impact on their institution.

In response to similar proposals, officials from the **Metropolitan Community Colleges** and the **St Louis Community College System** assume this proposal would have no impact on their systems.

Officials from the **University of Missouri (UM)** assume the University of Missouri would incur approximately \$36,000 in additional costs annually to provide the almost 11,000 students who reside on UM campuses with the necessary educational materials and service if the proposal were enacted as written. These costs would include materials, mailing, record keeping, and staff time.

Officials from **North Central Community College**, in response to a similar proposal, assumed this proposal would cost their organization approximately \$20,000 per year for reporting and tracking.

In response to a similar proposal, officials from the **Department of Health and Senior Services (DHSS)** assume the proposal would not significantly impact the operations of DHSS. If the

ASSUMPTION (continued)

proposal were to substantially impact any programs, the Department would request funding through the legislative process.

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
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GENERAL REVENUE FUNDCost - Higher Education Institutions

Program Administration (Section 1)

(Unknown -
Expected to
Exceed
\$100,000)

(Unknown -
Expected to
Exceed
\$100,000)

(Unknown -
Expected to
Exceed
\$100,000)

**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

(Unknown -
Expected to
Exceed
\$100,000)

(Unknown -
Expected to
Exceed
\$100,000)

(Unknown -
Expected to
Exceed
\$100,000)

FISCAL IMPACT - Local Government

FY 2004

FY 2005

FY 2006

**COMMUNITY COLLEGE
DISTRICTS**Cost - Higher Education Institutions

Program Administration (Section 1)

(Unknown -
Expected to
Exceed
\$100,000)

(Unknown -
Expected to
Exceed
\$100,000)

(Unknown -
Expected to
Exceed
\$100,000)

**ESTIMATED NET EFFECT ON
COMMUNITY COLLEGE
DISTRICTS**

(Unknown -
Expected to
Exceed
\$100,000)

(Unknown -
Expected to
Exceed
\$100,000)

(Unknown -
Expected to
Exceed
\$100,000)

FISCAL IMPACT - Local Government

FY 2004

FY 2005

FY 2006

SCHOOL DISTRICTS

Savings - Decreased costs of advertising
for competitive bids for school
construction projects (Section 177.086)

Expected to
Exceed
\$100,000

Expected to
Exceed
\$100,000

Expected to
Exceed
\$100,000

Cost - Election costs (Section 115.124)

(Unknown -
Could Exceed
\$100,000)

(Unknown -
Could Exceed
\$100,000)

(Unknown -
Could Exceed
\$100,000)

**ESTIMATED NET EFFECT ON
SCHOOL DISTRICTS***

Unknown to
(Unknown)

Unknown to
(Unknown)

Unknown to
(Unknown)

***Unknown Savings could exceed \$100,000 and Unknown Costs could exceed \$100,000**

FISCAL IMPACT - Small Business

Small businesses dealing in advertising could experience a negative fiscal impact due to reduced advertising requirements for school construction projects.

DESCRIPTION

This proposal makes various changes regarding school district financial transactions and other sections pertaining to education:

Section 115.124 - SCHOOL BOARD ELECTIONS

School board elections no longer are exempt from being held in a case where the number of candidates who have filed for a particular office is equal to the number of positions in that office to be filled by the election.

Section 162.261 - SEVEN-DIRECTOR BOARDS OF EDUCATION - VACANCIES

Provides that no seven-director, urban, or metropolitan school district shall hire a spouse of any member of such board for a vacant or newly created position unless the position has been

DESCRIPTION (continued)

advertised pursuant to board policy and the superintendent of schools submits a written recommendation for the employment of the spouse to the board of education. The names of all applicants as well as the name of the applicant hired for the position are to be included in the board minutes.

Section 162.431 - SCHOOL DISTRICT BOUNDARY CHANGES

Applies standards to be utilized by the Board of Arbitration in determining whether a proposed school district boundary change is necessary. The standards for such a determination include the presence of: school-aged children in the affected area; actual educational harm to school-age children (significant differences in transportation time or educational opportunities); an educational necessity, not a commercial benefit to landowners.

Section 162.601.8 - ELECTION OF BOARD MEMBERS OF METROPOLITAN SCHOOL DISTRICTS

Amends Section 162.601, RSMo that deals with election of board members in metropolitan school districts by repealing the subsection which states that no one may run for school board who is employed by the school district or who is related to an employee of the school district within the second degree of affinity or consanguinity.

Section 162.680 - SPECIAL EDUCATION

Deletes the current requirement that students receiving special education services must be accommodated when possible by special aids and services rather than separate classes and restates it to require that separate schooling be used only when education in regular classes with aids and services cannot be achieved satisfactorily.

Section 162.700 - PLACEMENT OF SPECIAL EDUCATION STUDENTS

Current law expresses that school districts may coordinate with public, private, and private not-for-profit agencies for the delivery of efficient early childhood special education. This proposal changes the aforementioned “may” to “shall”.

Any outside evaluation information furnished by a parent shall be considered by the team in the initial eligibility team meeting and the initial Individualized Education Program (IEP) team meeting for children transitioning into Part B of the Individuals with Disabilities Education Act program.

DESCRIPTION (continued)

The preference of the parent to continue services with the child's Part C provider shall be given weight by the team preparing the child's IEP.

A school district may require that the charges or reimbursement claims for services made by a Part C provider not exceed what it would cost the district to provide the same services. A school district may allow Part C provider to charge more for services that it would cost the district to provide the same services, if continuing services with the Part C provider is determined to be in the best interest of the child. Prior to terminating services provided by a Part C provider to a student because of a determination that the Part C provider cannot supply the same service at the same or less cost than the district, a school district shall give that Part C provider an opportunity to adjust its charges or reimbursement claims to comply with the charges or reimbursement claims that the district has determined are appropriate.

School districts providing early childhood education services shall provide to the parent cost and service description data on each such service.

Section 162.962 - REVIEW OF HEARING PANEL DECISIONS

Revises the procedure for review of hearing panel decisions, requiring the court to receive the administrative record, hear additional evidence if requested, and rule on the preponderance of the evidence, and provides for a 45-day period in which judicial review may be petitioned. The proposal permits appeals of the court's decision and makes the provisions of the administrative procedure chapter applicable to special education due process hearings and appeals.

Section 162.1180 – EDUCATIONAL SERVICE AGENCIES

Creates a new section of law governing the creation of educational service agencies (as defined in 20 U.S.C. Section 7801) that develop, provide, or manage instructional services for school districts. These agencies must be designated by contract, organized as nonprofit corporations, and considered as political subdivisions whose governing board and employees are subject to the same conflict of interest provisions as public employees. Meetings of the board of a service agency are public meetings pursuant to state law (Chapter 610, RSMo). The granting of a contract to a service agency does not relieve a school district of its obligation to provide the services it has contracted for.

Section 165.011 – UNRESTRICTED FUNDS TRANSFERS

In addition to new subsections outlined below (Sections 165.011.13 through 165.011.17), the

DESCRIPTION (continued)

proposal also rearranges some existing wording, deletes material that has become obsolete, and makes some technical changes in the remainder of the section, which concerns placement and transfers of moneys in school district accounts.

Section 165.011.2 (2) (Deleted)

Deletes a provision which disallows school districts from making expenditures for certain lease purchase obligations from the district's capital projects fund unless the district levies, in the current year, a tax rate in the capital projects fund which is sufficient to generate revenues equal to or greater than the amount of such expenditure and collects such revenues and credits such revenues to the capital projects fund.

Section 165.011.4 (3) (b)

Alters the conditions by which a school district may transfer moneys from the incidental fund to the capital projects fund. The proposal prescribes that any amount expended from the incidental fund for classroom instructional capital outlays must be subtracted from the 9% of the district's entitlement used to calculate the limit on such transfers.

Section 165.011.7

Modifies the qualifications for school districts making transfers from the incidental fund to the capital projects fund by deleting the minimum levy and lease-purchase conditions and substituting compliance with provisions concerning compensation of certificated staff in the second preceding year or payment of all penalties for the second preceding year.

Section 165.011.13

Allows school districts to transfer unrestricted funds from the capital projects fund to the incidental fund in any year in which that year's June 30 combined incidental and teachers funds unrestricted balance compared to the combined incidental and teachers funds expenditures would be less than ten percent without such transfer.

Section 165.011.14

Creates fiscal procedures for school districts that have issued qualified zone academy bonds pursuant to federal law and have incorrectly handled the placement of the bond proceeds in the districts' accounts.

DESCRIPTION (continued)

Section 165.011.15

Allows certain school districts to make a one time transfer from the incidental fund to the capital projects fund for sewer projects.

Section 165.011.16

Allows a certain school district to make a one time transfer from the incidental fund to the capital projects fund for the purpose of improving the library media and technology center for the district's high school and middle school.

Section 165.011.17

Sets out conditions under which a school district may refinance certain lease-purchase obligations.

Section 165.016 – SALARY COMPLIANCE EXCEPTIONS

The already existing provisions of this section shall not apply to any school district that has unrestricted fund balances in the combined incidental and teacher funds on June 30th of the preceding year which are equal to or less than seventeen percent of the combined expenditures for the preceding year from these funds in any year in which state funds distributed pursuant to Section 163.631, RSMO, lines 1 to 10 plus line 14 are no more than 96% of such state funds distributed in fiscal year 2002.

The provisions of the this section of the proposal also shall not apply to any district which meets the following criteria:

- 1) With ten percent or more of its assessed valuation that is owned by one person or corporation as commercial or personal property who is delinquent in property tax payment;
- 2) With unrestricted fund balances in the combined incidental and teacher funds on June 30th of the preceding year which are equal to or less than one half of the local property tax revenue for the previous year; and
- 3) In any year in which state funds distributed pursuant to section 163.031, RSMo, lines 1 to 10 plus line 14 are no more than ninety-six percent of state funds distributed in fiscal year 2002.

DESCRIPTION (continued)

Section 168.110 - TEACHER HIRING INCENTIVES

Gives school districts the right to include hiring incentives or salary schedule modifications to attract and retain teachers based on demonstrated need for teachers certified in shortage areas. Districts shall have the decision-making authority on whether to provide these incentives and may require teachers to teach in that district for a period of up to three school years.

Section 171.031 - SCHOOL TERM CALENDARS

Repeals the prohibition against starting school earlier than September 1.

Section 177.086 - SCHOOL CONSTRUCTION PROJECTS; ADVERTISEMENT OF BIDS

Raises from \$12,500 to \$15,000 the threshold requiring bids for school construction projects. It requires public advertisement once a week for two consecutive weeks in a newspaper of general circulation located within the city in which the school district is located. If there is no such newspaper, advertisement will be in a qualified newspaper of general circulation in the county, or if there be no such newspaper, in a qualified newspaper of general circulation in an adjoining county. Advertisements may be in business, trade, or minority papers.

Section 324.245 - THERAPEUTIC MASSAGE EDUCATIONAL REQUIREMENTS

The Board of Therapeutic Massage is authorized to promulgate rules and regulations regarding educational requirements for licensure, including, but not limited to, provisions that allow clock hours of supervised instruction at a vocational technical school.

Section 393.310 - NATURAL GAS PURCHASES BY SCHOOLS

Current law allows schools to aggregate purchases of natural gas and pipeline transportation services through contracts negotiated by a not-for-profit school association. Gas corporations were to file experimental tariffs with the Public Service Commission (PSC) by August 1, 2002. Tariffs would be approved if there were no negative financial impact on the gas corporation, its customers, and local taxing authorities. Gas corporations cannot require special metering for schools that use 100,000 or fewer therms annually.

This proposal states that, except as may be mutually agreed be the gas corporations and eligible schools entities and approved by the PSC, such tariffs shall not require eligible school entities to

DESCRIPTION (continued)

be responsible for pipeline capacity charges for longer than is required by the gas corporation's tariff for large industrial or commercial basic transportation customers.

Section 1

Requires students enrolled in institutions of higher education to receive meningitis vaccine.

Beginning with the 2004-2005 school year and for each school year thereafter, every public and private institution of higher education in this state shall require all students who reside in on-campus housing to sign a written waiver stating that the institution of higher education has provided the student, or student's parents, with detailed written information on the risks associated with meningococcal disease and the availability and effectiveness of the meningococcal vaccine.

Any student electing to receive the meningococcal vaccine shall not be required to sign a waiver and shall present a record of said vaccination to the institution of higher education.

Each public and private university or college in this state would maintain records on the meningococcal vaccination status of every student residing in on-campus housing at the university or college, including any written waivers executed.

Institutions of higher education would not be required to provide or pay for vaccinations against meningococcal disease.

This legislation would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education

Kansas City, Missouri School District

St Louis Public Schools

Department of Economic Development

Public Service Commission

Office of Public Counsel

Division of Professional Registration

Office of State Courts Administrator

Department of Higher Education

Office of Secretary of State

Administrative Rules Division

Office of State Treasurer

Office of Attorney General

Central Missouri State University

Special School District of Saint Louis County

Parkway C-2 School District

Fairview R-IX School District

Nixa R-II School District

Belton School District

Truman State University

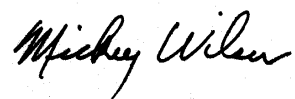
Metropolitan Community Colleges

St Louis Community College System

University of Missouri

North Central Community College

Department of Health and Senior Services



MICKEY WILSON, CPA

DIRECTOR

MAY 13, 2003